

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

***GENERAL PURPOSE FINANCIAL STATEMENTS
(AUDITED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2001***

RICHARD D. JONES, TREASURER



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490
www.auditor.state.oh.us

Board of Education
Southwest Licking Local School District
927 South Street
Etna, Ohio 43018-0180

We have reviewed the independent auditor's report of the Southwest Licking Local School District, Licking County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Southwest Licking Local School District is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

January 15, 2002

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**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

Independent Auditor's Report

Board of Education
Southwest Licking Local School District
927 South Street
Etna, Ohio 43018-0180

We have audited the accompanying general purpose financial statements of the Southwest Licking Local School District, Licking County (the "School District") as of and for the fiscal year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Southwest Licking Local School District, Licking County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2001 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the School District, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Trimble, Julian & Grube, Inc.
December 12, 2001

Southwest Licking Local School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2001

	Governmental Fund Types				Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects		Proprietary Fund Type	Agency	
Assets and Other Debits:								
Assets:								
Cash and Cash Equivalents	\$3,114,937	\$474,875	\$723,645	\$4,178,810	\$346,112	\$9,001	\$0	\$0
Cash and Cash Equivalents in Segregated Accounts	0	2,813	0	0	0	6,890	0	0
Receivables:								
Property Taxes	6,420,223	0	1,874,643	655,284	0	0	0	0
Accounts	7,380	1,165	0	0	42	0	0	0
Intergovernmental	102,633	45,517	0	0	15,096	0	0	0
Accrued Interest	13,126	0	0	0	0	0	0	0
Due from Other Funds	2,335	0	0	0	0	0	0	0
Income Tax	1,271,865	0	0	0	0	0	0	0
Materials and Supplies Inventory	5,559	0	0	0	710	0	0	0
Inventory Held for Resale	0	0	0	0	8,217	0	0	0
Prepaid Items	26,243	0	0	993	0	0	0	0
Restricted Assets:								
Cash and Cash Equivalents	92,946	0	0	0	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0	86,771	0	38,414,928	0
Other Debits:								
Amount Available in Debt Service Fund	0	0	0	0	0	0	0	901,886
Amount to be Provided from General Government Resources	0	0	0	0	0	0	0	25,715,097
Total Assets and Other Debits	\$11,057,247	\$524,370	\$2,598,288	\$4,835,087	\$456,948	\$15,891	\$38,414,928	\$26,616,983
								\$84,519,742

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Southwest Licking Local School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2001

	Governmental Fund Types			Proprietary Fund Type		Fiduciary Fund Type		Account Groups			Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Agency	General Fixed Assets	General Long-Term Obligations				
Liabilities, Fund Equity and Other Credits:												
Liabilities:												
Accounts Payable	\$75,639	\$5,434	\$0	\$29,432	\$0	\$0	\$0	\$0	\$0	\$0	\$10,505	
Contracts Payable	0	0	0	345,839	0	0	0	0	0	0	345,839	
Retainage Payable	0	0	0	238,082	0	0	0	0	0	0	238,082	
Accrued Salaries and Benefits Payable	1,578,965	57,876	0	0	35,065	0	0	0	0	0	1,671,906	
Intergovernmental Payable	418,816	8,330	0	18,006	27,203	4,018	0	173,868	0	0	650,241	
Due to Other Funds	0	0	0	0	0	2,335	0	0	0	0	2,335	
Due to Students	0	0	0	0	0	9,001	0	0	0	0	9,001	
Due to Others	0	0	0	0	0	537	0	0	0	0	537	
Deferred Revenue	6,061,631	45,517	1,696,402	590,894	5,196	0	0	0	0	0	8,399,640	
Compensated Absences Payable	98,247	0	0	0	20,699	0	0	1,616,719	0	0	1,735,665	
Retirement Incentive Payable	0	0	0	0	0	0	0	0	0	0	20,000	
Capital Leases Payable	0	0	0	0	0	0	0	526,396	0	0	526,396	
School Improvement Bonds Payable	0	0	0	0	0	0	0	18,480,000	0	0	18,480,000	
Energy Conservation Bonds Payable	0	0	0	0	0	0	0	120,000	0	0	120,000	
General Obligation Bonds Payable	0	0	0	0	0	0	0	5,680,000	0	0	5,680,000	
Total Liabilities	8,233,298	117,157	1,696,402	1,222,253	88,163	15,891	0	26,616,983	0	0	37,990,147	
Fund Equity and Other Credits:												
Investment in General Fixed Assets	0	0	0	0	0	0	38,414,928	0	0	0	38,414,928	
Contributed Capital	0	0	0	0	29,838	0	0	0	0	0	29,838	
Retained Earnings:												
Unreserved	0	0	0	0	338,947	0	0	0	0	0	338,947	
Fund Balances:												
Reserved for Encumbrances	138,799	77,446	0	843,954	0	0	0	0	0	0	1,060,199	
Reserved for BWC Refunds	92,023	0	0	0	0	0	0	0	0	0	92,023	
Reserved for Unclaimed Monies	949	0	0	0	0	0	0	0	0	0	949	
Reserved for Bus Purchases	923	0	0	0	0	0	0	0	0	0	923	
Reserved for Inventory	5,559	0	0	0	0	0	0	0	0	0	5,559	
Reserved for Property Taxes	570,318	0	168,002	59,880	0	0	0	0	0	0	798,200	
Unreserved, Undesignated	2,015,378	329,767	733,884	2,709,000	0	0	0	0	0	0	5,788,029	
Total Fund Equity and Other Credits	2,823,949	407,213	901,886	3,612,834	368,785	0	38,414,928	0	0	0	46,529,595	
Total Liabilities, Fund Equity and Other Credits	\$11,057,247	\$524,370	\$2,598,288	\$4,835,087	\$456,948	\$15,891	\$38,414,928	\$26,616,983	\$0	\$0	\$84,519,742	

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Southwest Licking Local School District, Ohio
Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2001

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Property Taxes	\$6,175,704	\$0	\$1,866,688	\$654,395	\$8,696,787
Income Tax	2,779,705	0	0	0	2,779,705
Intergovernmental	10,092,793	683,846	214,766	220,995	11,212,400
Interest	303,815	25,065	0	605,810	934,690
Tuition and Fees	290,749	0	0	0	290,749
Rent	7,390	0	0	0	7,390
Extracurricular Activities	3,000	500,605	0	0	503,605
Gifts and Donations	20,160	66,674	0	0	86,834
Miscellaneous	103,748	0	0	2,245	105,993
Total Revenues	19,777,064	1,276,190	2,081,454	1,483,445	24,618,153
Expenditures:					
Current:					
Instruction:					
Regular	8,953,590	103,514	0	249,312	9,306,416
Special	1,165,020	301,876	0	0	1,466,896
Vocational	475,584	74	0	0	475,658
Support Services:					
Pupils	1,022,023	28,127	0	0	1,050,150
Instructional Staff	664,804	128,462	0	5,692	798,958
Board of Education	23,981	0	0	0	23,981
Administration	1,634,321	27,113	0	0	1,661,434
Fiscal	550,673	3,541	28,304	10,470	592,988
Business	141,103	3,461	0	468	145,032
Operation and Maintenance of Plant	1,750,980	1,500	0	51,584	1,804,064
Pupil Transportation	1,377,108	0	0	0	1,377,108
Central	221,951	73,563	0	29,861	325,375
Operation of Non-Instructional Services	0	5,450	0	0	5,450
Extracurricular Activities	413,294	582,645	0	0	995,939
Capital Outlay	526,590	0	0	9,189,014	9,715,604
Debt Service:					
Principal Retirement	54,781	0	900,000	0	954,781
Interest and Fiscal Charges	12,947	0	1,278,147	0	1,291,094
Total Expenditures	18,988,750	1,259,326	2,206,451	9,536,401	31,990,928
Excess of Revenues Over (Under) Expenditures	788,314	16,864	(124,997)	(8,052,956)	(7,372,775)
Other Financing Sources:					
Proceeds from Sale of Fixed Assets	13,554	0	0	0	13,554
Inception of Capital Lease	526,590	0	0	0	526,590
Operating Transfers In	0	0	0	122,401	122,401
Operating Transfers Out	0	0	0	(122,401)	(122,401)
Total Other Financing Sources	540,144	0	0	0	540,144
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	1,328,458	16,864	(124,997)	(8,052,956)	(6,832,631)
Fund Balances at Beginning of Year - (Restated, Note 3)	1,496,285	390,349	1,026,883	11,665,790	14,579,307
Decrease in Reserve for Inventory	(794)	0	0	0	(794)
Fund Balances at End of Year	\$2,823,949	\$407,213	\$901,886	\$3,612,834	\$7,745,882

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Southwest Licking Local School District, Ohio
 Combined Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2001

	General Fund			Special Revenue Funds			Debt Service Fund			Capital Projects Funds			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:															
Property Taxes	\$5,867,113	\$5,950,259	\$83,146	\$0	\$0	\$0	\$1,714,549	\$1,812,506	\$97,957	\$596,344	\$618,416	\$22,072	\$8,178,006	\$8,381,181	\$203,175
Income Tax	2,575,000	2,683,313	108,313	0	0	0	0	0	0	0	0	0	2,575,000	2,683,313	108,313
Intragovernmental	9,831,025	10,098,105	267,070	704,691	729,374	24,683	260,402	214,765	(45,637)	189,312	226,991	37,779	10,985,540	11,269,235	283,695
Interest	230,350	339,713	89,365	10,932	25,065	14,133	0	0	0	611,313	684,929	73,616	1,049,707	1,049,707	176,912
Tuition and Fees	189,500	261,276	71,776	0	0	0	0	0	0	0	0	0	189,500	261,276	71,776
Rent	5,000	7,390	2,390	0	0	0	0	0	0	0	0	0	5,000	7,390	2,390
Extracurricular Activities	0	3,000	3,000	425,759	499,769	74,010	0	0	0	0	0	0	425,759	502,769	77,010
Gifts and Donations	10,000	20,160	10,160	95,580	66,674	(28,906)	0	0	0	0	0	0	105,580	86,834	(18,746)
Miscellaneous	22,250	108,166	85,916	48	0	(48)	0	0	0	2,245	2,270	25	24,543	110,436	85,893
Total Revenues	18,750,248	19,471,382	721,134	1,237,010	1,320,882	83,872	1,974,951	2,027,271	52,320	1,399,314	1,532,606	133,292	23,361,523	24,352,141	990,618
Expenditures:															
Current:															
Instruction:															
Regular	8,681,017	8,520,462	160,555	120,479	99,251	21,228	0	0	0	257,500	254,297	3,203	9,058,996	8,874,010	184,986
Special	1,070,140	1,130,042	(59,902)	320,454	273,492	46,962	0	0	0	0	0	0	1,390,594	1,403,534	(12,940)
Vocational	414,150	406,653	7,497	1,400	74	1,326	0	0	0	0	0	0	415,550	406,727	8,823
Other	419,800	391,355	27,645	0	0	0	0	0	0	0	0	0	419,800	391,355	27,645
Support Services:															
Pupils	993,222	1,021,331	(28,109)	32,607	29,673	2,934	0	0	0	0	0	0	1,025,829	1,051,004	(25,175)
Instructional Staff	617,142	673,624	(56,482)	191,050	123,408	67,642	0	0	0	57,913	40,431	17,482	866,055	837,463	28,642
Board of Education	26,990	25,311	1,679	0	0	0	0	0	0	0	0	0	26,990	25,311	1,679
Administration	1,856,480	1,667,165	189,315	33,279	28,272	5,007	0	0	0	0	0	0	1,889,759	1,695,437	194,322
Fiscal	529,727	572,218	(42,491)	3,550	3,541	9	30,000	28,304	1,696	22,100	22,518	(418)	585,377	626,381	(41,004)
Business	1,483,326	1,483,326	0	3,631	3,461	170	0	0	0	234,430	230,961	3,469	392,823	382,748	10,075
Operation and Maintenance of Plant	1,934,806	1,810,904	1,239,902	1,500	1,500	0	0	0	0	301,798	299,044	2,754	2,238,104	2,111,448	1,26,656
Plant Transportation	1,374,355	1,384,343	(9,988)	0	0	0	0	0	0	32,131	32,170	(39)	1,406,486	1,416,513	(10,027)
Central	267,649	218,282	49,367	94,409	85,402	9,007	0	0	0	295,943	283,595	12,348	658,001	587,279	70,722
Operation of Non-Instructional Services	0	0	0	32,060	31,350	710	0	0	0	12,041	11,986	55	32,060	31,350	710
Extracurricular Activities	366,225	421,599	(55,374)	725,686	632,252	93,434	0	0	0	0	0	0	1,103,952	1,065,837	38,115
Capital Outlay	107,750	85,274	22,476	0	0	0	0	0	0	12,795,553	10,973,109	1,822,444	12,903,303	11,058,383	1,844,920
Debt Service:															
Principal Retirement	0	0	0	0	0	0	900,000	900,000	0	0	0	0	900,000	900,000	0
Interest and Fiscal Charges	0	0	0	0	0	0	1,281,820	1,278,147	3,673	0	0	0	1,281,820	1,278,147	3,673
Total Expenditures	18,813,415	18,476,889	336,526	1,560,105	1,311,676	248,429	2,211,820	2,206,451	5,369	14,009,409	12,148,111	1,861,298	36,594,749	34,143,127	2,451,622
Excess of Revenues Over (Under) Expenditures	(63,167)	994,493	1,057,660	(323,095)	9,206	332,301	(236,869)	(179,180)	57,689	(12,610,095)	(10,615,505)	1,994,590	(13,233,226)	(9,790,986)	3,442,240
Other Financing Sources (Uses):															
Proceeds from Sale of Fixed Assets	750	13,554	12,804	0	0	0	0	0	0	0	0	0	750	13,554	12,804
Operating Transfer In	0	0	0	0	0	0	0	0	0	125,000	125,000	0	125,000	125,000	0
Operating Transfer Out	0	0	0	0	0	0	0	0	0	(125,000)	(125,000)	0	(125,000)	(125,000)	0
Total Other Financing Sources (Uses)	750	13,554	12,804	0	0	0	0	0	0	0	0	0	750	13,554	12,804
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(62,417)	1,008,047	1,070,464	(323,095)	9,206	332,301	(236,869)	(179,180)	57,689	(12,610,095)	(10,615,505)	1,994,590	(13,232,476)	(9,777,432)	3,455,044
Fund Balances at Beginning of Year (Restated)	1,830,972	1,820,972	0	353,934	353,934	0	915,624	915,624	0	4,232,568	4,232,568	0	7,323,098	7,323,098	0
Prior Year Encumbrances Appropriated	181,173	181,173	0	40,980	40,980	0	0	0	0	9,094,459	9,094,459	0	9,316,612	9,316,612	0
Fund Balances at End of Year	\$1,939,728	\$3,010,192	\$1,070,464	\$718,119	\$404,120	\$332,301	\$678,755	\$776,444	\$57,689	\$716,932	\$2,711,522	\$1,994,590	\$3,407,234	\$6,862,278	\$3,455,044

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Southwest Licking Local School District, Ohio

Statement of Revenues, Expenses,
and Changes in Fund Equity
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2001

	<u>Enterprise</u>
<u>Revenues:</u>	
Sales	<u>\$632,368</u>
 <u>Expenses:</u>	
Salaries	272,318
Fringe Benefits	101,140
Purchased Services	4,478
Materials and Supplies	30,651
Cost of Sales	325,972
Depreciation	14,083
Other	<u>822</u>
 Total Expenses	<u>749,464</u>
 Operating Loss	<u>(117,096)</u>
 <u>Non-Operating Revenues:</u>	
Federal Donated Commodities	44,036
Interest Income	29,153
Federal and State Subsidies	<u>105,359</u>
 Total Non-Operating Revenues	<u>178,548</u>
 Net Income	61,452
 Retained Earnings at Beginning of Year	<u>277,495</u>
 Retained Earnings at End of Year	<u>338,947</u>
 Contributed Capital at Beginning of Year	23,562
 Contributions During the Year:	
from the Building Capital Projects Fund	<u>6,276</u>
 Contributed Capital at End of Year	<u>29,838</u>
 Total Fund Equity at End of Year	<u><u>\$368,785</u></u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Southwest Licking Local School District, Ohio
Statement of Revenues, Expenses, and Changes in
Fund Equity - Budget and Actual Comparison (Budget Basis)
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2001

	Enterprise Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<u>Revenues:</u>			
Sales	\$568,000	\$632,326	\$64,326
Interest	20,000	29,153	9,153
Federal and State Subsidies	110,000	104,891	(5,109)
Other Operating Revenues	250	0	(250)
Total Revenues	698,250	766,370	68,120
<u>Expenses:</u>			
Salaries	277,529	269,373	8,156
Fringe Benefits	98,200	95,659	2,541
Purchased Services	5,926	4,957	969
Materials and Supplies	485,970	310,818	175,152
Capital Outlay	6,484	5,285	1,199
Other	1,005	822	183
Total Expenses	875,114	686,914	188,200
Excess of Revenues Over (Under) Expenses	(176,864)	79,456	256,320
Fund Equity at Beginning of Year	262,969	262,969	0
Prior Year Encumbrances Appropriated	3,109	3,109	0
Fund Equity at End of Year	\$89,214	\$345,534	\$256,320

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Southwest Licking Local School District, Ohio

Statement of Cash Flows

Proprietary Fund Type

For the Fiscal Year Ended June 30, 2001

	<u>Enterprise</u>
<u>Increase in Cash and Cash Equivalents</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Sales	\$632,326
Cash Payments for Employee Services and Benefits	(365,032)
Cash Payments to Suppliers for Goods and Services	(317,552)
Other Operating Expenses	<u>(822)</u>
Net Cash Used for Operating Activities	<u>(51,080)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	<u>104,891</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Capital Assets	<u>(2,929)</u>
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	<u>29,153</u>
Net Increase in Cash and Cash Equivalents	80,035
Cash and Cash Equivalents Beginning of Year	<u>266,077</u>
Cash and Cash Equivalents End of Year	<u><u>\$346,112</u></u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(\$117,096)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	14,083
Donated Commodities Used During the Year	44,036
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(42)
Increase in Materials and Supplies Inventory	(130)
Increase in Inventory Held for Resale	(610)
Decrease in Accounts Payable	(92)
Increase in Deferred Revenue	345
Increase in Accrued Salaries and Benefits Payable	3,203
Increase in Intergovernmental Payable	10,457
Decrease in Compensated Absences Payable	<u>(5,234)</u>
Net Cash Used for Operating Activities	<u><u>(\$51,080)</u></u>

Noncash Capital Financing Activities:

During fiscal year 2001, the Food Service Enterprise Fund fixed asset additions in the amount of \$6,276 were received from the Building Capital Projects Fund, and were recorded as contributed capital.

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Southwest Licking Local School District, Ohio

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Southwest Licking Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The School District was established in 1953 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 65 square miles. It is located in Licking County, and includes all of the City of Pataskala, the Village of Kirkersville and portions of Etna, Harrison, St. Albans, and Union Townships in Licking County and Liberty Township in Fairfield County. The School District is staffed by 118 classified employees, 204 certificated full-time teaching personnel, and 12 administrative employees who provide services to 3,125 students and other community members. The School District currently operates six instructional buildings, one administrative buildings, and one garage.

Reporting Entity:

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Southwest Licking Local School District, this includes general operations, food service, preschool, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The following activities are included within the reporting entity:

Private Schools - Liberty Union Christian Academy, a private school, operates within the School District's boundaries. Current State legislation provides funding to the private school. This money is received and disbursed on behalf of the private school by the Treasurer of the School District, as directed by the private school in accordance with State rules and regulations. This activity is reflected in a special revenue fund for financial reporting purposes.

The School District participates in three jointly governed organizations, one related organization, and one insurance purchasing pool. These organizations are the Licking Area Computer Association, the Metropolitan Educational Council, Central Ohio Special Education Regional Resource Center, the Pataskala Public Library, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 20 and 21 to the general purpose financial statements.

Southwest Licking Local School District, Ohio

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Southwest Licking Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described as follows:

A. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund - The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Southwest Licking Local School District, Ohio

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Fund Type:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Fund - An enterprise fund is used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary fund.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary fund.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The proprietary fund type operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Southwest Licking Local School District, Ohio

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary fund.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7.) Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees, income tax and rentals.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

Southwest Licking Local School District, Ohio

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Licking County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The treasurer has the authority to allocate fund appropriations to the function and object level of the expenditure.

Southwest Licking Local School District, Ohio

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. The Food Service Enterprise fund had \$579 in outstanding encumbrances at June 30, 2001.

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, except for some capital projects monies used for construction, are maintained in this pool. Individual fund integrity is maintained through School District's records. Each fund's interest in the pool is presented as "cash and cash equivalents" on the balance sheet.

The School District has segregated bank accounts for the payroll and athletic accounts held separately from the School District's central bank account. These checking accounts are presented on the combined balance sheet as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the School District treasury.

During fiscal year 2001, investments were limited to STAR Ohio, repurchase agreements, and certificates of deposit. Repurchase agreements and certificates of deposit are reported at cost. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

Southwest Licking Local School District, Ohio

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$303,815, which includes \$71,927 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation of the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

E. Inventory

Inventories of governmental funds are stated at cost while the inventory of the proprietary fund is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. The inventory of the proprietary fund consists of donated food and purchased food held for resale and is expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues for the purchase of buses, and amounts required by statute to be set aside by the School District to create a reserve for BWC refunds. See Note 23 for the calculation of the year end restricted asset balance and the corresponding fund balance reserve.

H. Receivables and Payables

Receivables and payables to be recorded on the School District's financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also, by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility.

Southwest Licking Local School District, Ohio

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary fund is capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not capitalize infrastructure, as these assets are immovable and of value only to the School District.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise fund is computed using the straight-line method over an estimated useful life of five to twenty years.

J. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees with ten or more years of current service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the proprietary fund, the entire amount of compensated absences is reported as a fund liability.

Southwest Licking Local School District, Ohio

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. In general, payments made more than two months after fiscal year end are considered not to have used current available financial resources. Bonds, long-term loans, and capital leases are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by the proprietary fund are reported as liabilities in the proprietary fund.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, property taxes, bus purchases, unclaimed monies, and BWC refunds.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for BWC refunds represents money legally restricted to be expended only on allowable expenditures.

O. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1997, the exact amount of contributed capital cannot be determined.

Southwest Licking Local School District, Ohio

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

P. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Q. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - RESTATEMENT OF PRIOR YEAR BALANCES

Changes in Accounting Principles

For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Reporting for Certain Shared Nonexchange Revenues." The implementation of GASB Statements 33 and 36 had no effect on fund balances at June 30, 2000.

The School District had several fund reclassifications and a prior year receivable not recorded at June 30, 2000. These changes resulted in a change in the excess of revenues and other financing sources over (under) expenditures as previously reported for the year ended June 30, 2000:

	<u>Special Revenue</u>
Excess as previously reported	(\$51,177)
Receivable	36,475
Reclassification of a fund	<u>(12,156)</u>
Restated amount for the year ended June 30, 2000	<u><u>(\$26,858)</u></u>

Southwest Licking Local School District, Ohio

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2001

NOTE 3 - RESTATEMENT OF PRIOR YEAR BALANCES (continued)

The reclassifications had the following effects on fund balance as it was previously reported as of June 30, 2000.

	<u>Special Revenue</u>
Balances as previously reported	\$272,148
Receivable	36,475
Reclassification of funds	<u>81,726</u>
Restated Balances as of July 1, 2000	<u><u>\$390,349</u></u>

The District has presented a restatement of certain fund balances as originally presented at June 30, 2000 on the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances, Budget-and-Actual Comparison (Non-GAAP Budgetary Basis), All Governmental Fund Types because of errors in prior fiscal years' encumbrances. The effect of this adjustment to fund balances is as follows:

	<u>Balance as Originally Presented June 30, 2000</u>	<u>Effect of Adjustment</u>	<u>Restated Balance July 1, 2000</u>
General Fund	\$1,852,375	\$(31,403)	\$1,820,972
Special Revenue Funds	270,220	83,714	353,934

The agency funds assets and liabilities decreased from \$101,362 to \$19,636 due to fund reclassifications.

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

Fund Deficits

The following funds had deficit fund balances as of June 30, 2001:

	<u>Deficit Fund Balances</u>
<u>Special Revenue Funds:</u>	
Title I	\$1,110
Title VI-R	3,838

The deficits in the special revenue funds are the result of the recognition of payables in accordance with Generally Accepted Accounting Principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. These funds complied with the

Southwest Licking Local School District, Ohio

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2001

state statute which does not allow for a negative cash fund balance at year-end.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For the proprietary fund, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$1,328,458	\$16,864	(\$124,997)	(\$8,052,956)
Revenue Accruals	(305,682)	44,692	(54,183)	49,161
Expenditure Accruals	678,079	30,536	0	(1,157,226)
Other Financing Sources	(526,590)	0	0	0
Encumbrances	(166,218)	(82,886)	0	(1,454,484)
Budget Basis	<u>\$1,008,047</u>	<u>\$9,206</u>	<u>(\$179,180)</u>	<u>(\$10,615,505)</u>

Southwest Licking Local School District, Ohio

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2001

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

Net Income/Excess of Revenues Over (Under) Expenses Proprietary Fund Type	<u>Enterprise</u>
GAAP Basis	\$61,452
Revenue Accrual	(510)
Expense Accrual	8,679
Capital Outlay	(2,929)
Materials and Supplies Inventory	(130)
Inventory Held for Resale	(610)
Depreciation Expense	14,083
Encumbrances	<u>(579)</u>
Budget Basis	<u><u>\$79,456</u></u>

NOTE 6 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts.

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Southwest Licking Local School District, Ohio

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2001

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classification by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Cash On Hand: At year end, the School District had \$71 in undeposited cash on hand which is included on the balance sheet of the School District as part of "cash and cash equivalents".

Southwest Licking Local School District, Ohio

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2001

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$217,825 and the bank balance was \$1,050,153. Of the bank balance, \$200,000 was covered by federal depository insurance and \$850,153 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	<u>Category 3</u>	<u>Carrying and Fair Value</u>
STAR Ohio	\$0	\$8,023,272
Repurchase Agreements	<u>708,861</u>	<u>708,861</u>
Total	<u><u>\$708,861</u></u>	<u><u>\$8,732,133</u></u>

The classification of cash and cash equivalents and investments on the combined financial statements and statement of cash flows is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$8,950,029	\$0
Investments of the Cash Management Pool:		
Cash on Hand	(71)	0
STAR Ohio	(8,023,272)	8,023,272
Repurchase Agreements	<u>(708,861)</u>	<u>708,861</u>
GASB Statement 3	<u><u>\$217,825</u></u>	<u><u>\$8,732,133</u></u>

Southwest Licking Local School District, Ohio

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2001

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) are for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001 and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second-Half Collections		2001 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$277,821,580	90.9%	\$296,567,010	91.1%
Public Utility	20,038,240	6.6	21,944,270	6.7
Tangible Personal Property	7,589,850	2.5	7,090,370	2.2
Total Assessed Value	<u>\$305,449,670</u>	<u>100.0%</u>	<u>\$325,601,650</u>	<u>100.0%</u>
Tax rate per \$1,000 of assessed valuation	\$45.15		\$45.15	

Southwest Licking Local School District, Ohio

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2001

NOTE 7 - PROPERTY TAXES (continued)

The School District receives property taxes from Licking County and Fairfield County. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. Also intended to finance current fiscal year operations is the June 30 personal property tax settlement that was not received until July, 2001 in the amount of \$54,745 in the general fund, \$10,239 in the bond retirement debt service fund, and \$4,510 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2001, \$798,200 was available to the School District and is recognized as revenue. \$570,318 was available to the general fund, \$168,002 was available to the bond retirement debt service fund, and \$59,880 was available to the permanent improvement capital projects fund at June 30, 2001.

NOTE 8 - INCOME TAX

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on February 15, 1990 and remains as a continuous levy. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

NOTE 9 - RECEIVABLES

Receivables at June 30, 2001, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), accrued interest, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

Southwest Licking Local School District, Ohio

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2001

NOTE 9 - RECEIVABLES (continued)

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
General Fund	
CAFS	\$2,414
Tuition from other Districts	98,945
Refunds and Reimbursements	<u>1,274</u>
Total General Fund	<u>102,633</u>
Special Revenue Funds	
Career Development	800
Eisenhower Grant	1,125
Title VI-B	16,272
Chapter I	48
Chapter II	2,934
Drug Free Grant	5,188
Class Size Reduction	<u>19,150</u>
Total Special Revenue Funds	<u>45,517</u>
Enterprise Fund	
National School Lunch Program	<u>15,096</u>
Total Intergovernmental Receivables	<u><u>\$163,246</u></u>

NOTE 10 - FIXED ASSETS

A summary of the enterprise fund's fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$443,159
Less Accumulated Depreciation	<u>(356,388)</u>
Net Fixed Assets	<u><u>\$86,771</u></u>

Southwest Licking Local School District, Ohio

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2001

NOTE 10 - FIXED ASSETS (continued)

A summary of the changes in general fixed assets during fiscal year 2001 follows:

<u>Asset Category</u>	<u>Balance at 6/30/00</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/01</u>
Land and Improvements	\$797,974	\$497,615	\$0	\$1,295,589
Buildings and Improvements	13,788,669	8,041,849	90,800	21,739,718
Furniture, Fixtures and Equipment	3,470,434	1,203,273	774,222	3,899,485
Vehicles	1,675,182	350,439	64,983	1,960,638
Construction in Progress	<u>10,647,202</u>	<u>6,433,996</u>	<u>7,561,700</u>	<u>9,519,498</u>
Total General Fixed Assets	<u><u>\$30,379,461</u></u>	<u><u>\$16,527,172</u></u>	<u><u>\$8,491,705</u></u>	<u><u>\$38,414,928</u></u>

NOTE 11 - CONTRIBUTED CAPITAL

The following is a reconciliation of the change in contributed capital for the Food Service fund during the fiscal year:

Contributed Capital at Beginning of Year	\$23,562
Contributions During the Year	6,276
Depreciation on Fixed Assets Acquired by Contributed Capital	<u>0</u>
Contributed Capital at End of Year	<u><u>\$29,838</u></u>

Southwest Licking Local School District, Ohio

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2001

NOTE 12 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Nationwide Agribusiness Insurance for property, crime, boiler, machinery, and inland marine coverage insurance; State Farm Insurance for fleet insurance; Acord Insurance for general, builder's risk, and employee benefits liability insurance with an additional umbrella policy coverage. The levels of coverage provided are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$29,219,500
Boiler and Machinery (\$1,000 deductible)	9,967,500
Inland Marine Coverage	
Hardware (\$250 deductible)	450,000
Software (\$250 deductible)	177,500
Extra Expense (\$250 deductible)	142,500
Public Employee Dishonesty (\$500 deductible)	50,000
Fleet Insurance	1,000,000
General Liability	
Per occurrence	1,000,000
Aggregate Per Year	5,000,000
Umbrella Liability	
Per occurrence	2,000,000
Aggregate Per Year	2,000,000
Builder's Risk (\$1,000 deductible)	12,089,800

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last fiscal year.

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 22). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Southwest Licking Local School District, Ohio

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2001

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$122,774, \$138,433 and \$194,361, respectively; 50 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$61,255 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$951,645, \$565,053 and \$559,286, respectively; 81 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$180,256 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds.

Southwest Licking Local School District, Ohio

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2001

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, two member of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$450,779 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3,419 million. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$322,109.

Southwest Licking Local School District, Ohio

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2001

NOTE 14 - POSTEMPLOYMENT BENEFITS (continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 15 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated by employees with no maximum carrying amount. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 220 days plus one additional day of severance pay for every ten days of accumulated sick leave over the 220 day limit for all personnel.

B. Health Care Benefits

The School District provides health and drug insurance for all eligible employees through Medical Mutual of Ohio. The School District pays medical and drug monthly premiums for staff for family and single coverage. The School District also provides dental insurance for all eligible employees through Coresource, Inc. The School District provides life insurance and accidental death and dismemberment insurance to most employees through Coresource, Inc. Premiums are paid from the same funds that pay the employees' salaries.

C. Retirement Incentive

The School District offers a \$10,000 retirement incentive to certified employees that retire as soon as the employee is eligible with 30 years of experience. A \$7,500 retirement incentive is given to certified employees that pass up the first year of eligibility but elect to retire in the subsequent year.

Southwest Licking Local School District, Ohio

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2001

NOTE 16 - CAPITAL LEASES - LESSEE DISCLOSURE

The School District has entered into capitalized leases for copiers. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of copiers have been capitalized in the general fixed assets account group in the amount of \$526,590. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2001 totaled \$54,781 in the governmental funds. The School District traded-in several of their capital leases within the current fiscal year. The principal amount of \$100,599 was forgiven by the leasing company since the School District reentered into new capital leases.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2001.

<u>Fiscal Year Ending June 30,</u>	<u>GLTOAG</u>
2002	\$154,227
2003	128,131
2004	128,128
2005	128,128
2006	<u>99,279</u>
Total	637,893
Less: Amount Representing Interest	<u>(111,497)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$526,396</u></u>

Southwest Licking Local School District, Ohio

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2001

NOTE 17 - CONTRACT OBLIGATIONS

As of June 30, 2001, the School District had contractual purchase commitments with the following seven contractors:

<u>Contractor</u>	<u>Fund</u>	<u>Purchase Commitments</u>	<u>Amounts Paid as of 6/30/01</u>	<u>Amounts Remaining on Contracts</u>
City Electric Service Inc.	Building Construction	\$1,259,938	\$1,171,826	\$88,112
Cody Ziegler Inc.	Building Construction	5,928,639	5,536,138	392,501
Glass Service	Building Construction	229,757	209,173	20,584
Roose Company	Building Construction	172,086	153,256	18,830
Tom Sexton & Associates	Building Construction	244,863	0	244,863
LTM Plumbing & HVAC Co. Inc.	Building Construction	384,326	326,980	57,346
Kel-Par Company	Building Construction	<u>1,911,453</u>	<u>1,760,248</u>	<u>151,205</u>
Totals		<u>\$10,131,062</u>	<u>\$9,157,621</u>	<u>\$973,441</u>

Southwest Licking Local School District, Ohio

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2001

NOTE 18 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	<u>Principal Outstanding 6/30/00</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/01</u>
Energy Conservation Note Payable 1991 6.625%	\$235,000	\$0	\$115,000	\$120,000
Etna Elementary School Improvement Bond 1995 4.3% - 5.75%	5,980,000	0	300,000	5,680,000
School Improvement Bond 1999 3.1% - 5.15%	18,840,000	0	360,000	18,480,000
High School Improvement Bond 1978 5.875%	125,000	0	125,000	0
Capital Leases	155,186	526,590	155,380	526,396
Pension Obligation	179,201	173,868	179,201	173,868
Retirement Incentive	10,000	20,000	10,000	20,000
Compensated Absences	<u>1,597,078</u>	<u>240,025</u>	<u>220,384</u>	<u>1,616,719</u>
Total General Long-Term Obligations	<u>\$27,121,465</u>	<u>\$960,483</u>	<u>\$1,464,965</u>	<u>\$26,616,983</u>

On September 1, 1991, the School District issued \$901,823 with 6.625% interest, unvoted energy conservation notes for the purpose of installing energy conservation improvements for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten year period with final maturity during fiscal year 2002. The debt will be retired through reductions in energy consumption and cost savings attributed to the installation of the energy conservation improvements. Tax revenues were allocated from the general fund to the bond retirement debt service fund to meet current fiscal year obligations.

On April 1, 1995, the School District issued School Improvement Bonds for \$6,638,000, with a varying interest rate of 4.3 to 5.75%, for the purpose of constructing, renovating, furnishing, and equipping school buildings. The bond was issued for a twenty-eight year period with final maturity during fiscal year 2023. The debt is being repaid by tax revenues through the bond retirement fund.

On March 15, 1999, the School District also issued School Facilities Construction and Improvement Bonds for \$19,120,000, with a varying interest rate of 3.1 to 5.15%, for the purpose of constructing, renovating, furnishing, and equipping school buildings. The bond was issued for a twenty-eight year period with final maturity during fiscal year 2027. Tax proceeds from the debt service fund will be used to meet current fiscal year obligations.

Southwest Licking Local School District, Ohio

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2001

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

In March, 1978, the School District issued Construction Bonds for \$2,750,000, with an interest rate of 5.875%, in general obligation bonds for the purpose of renovating the high school building. The bonds were issued for a twenty-two year period with final maturity during fiscal year 2001. The debt is being repaid through the bond retirement fund.

The School District's overall legal debt margin was \$5,878,033, with an unvoted debt margin of \$325,602 at June 30, 2001.

Debt service requirements to maturity on the bonds and energy conservation note, including \$19,691,483 in interest, are as follows:

<u>Year Ending June 30</u>	<u>General Long-Term Obligations Account Group</u>
2002	\$ 2,231,363
2003	2,203,325
2004	1,728,939
2005	1,804,506
2006	1,880,375
Thereafter	<u>34,122,975</u>
Total	<u>\$43,971,483</u>

Capital leases will be paid from the general fund. Compensated absences, the retirement incentive, and the pension obligation will be paid from the fund which pays the employees' salaries.

NOTE 19 - INTERFUND ACTIVITY

Interfund balances at June 30, 2001, consist of the following individual fund receivables and payables:

<u>Due from/Due to Other Funds</u>	<u>Recipient</u>	<u>Payer</u>
General Fund	\$2,335	\$ 0
Agency Fund:		
Payroll Agency	<u>0</u>	<u>2,335</u>
Total Due from/Due to Other Funds	<u>\$2,335</u>	<u>\$2,335</u>

Southwest Licking Local School District, Ohio

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2001

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS

A. Licking Area Computer Association

The School District is a participant in the Licking Area Computer Association (LACA) which is a computer consortium. LACA is an association which services thirteen entities within the boundaries of Licking and Muskingum Counties. These entities consist of public school districts and educational service centers. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of LACA consists of the superintendents from all participating districts. The continued existence of LACA is not dependent on the School District's continued participation and no equity interest exists. The School District's payments to LACA for fiscal year 2001 was \$49,680. Financial statements for LACA can be obtained from their fiscal agent - the Licking County Joint Vocational School District, 150 Price Road, Newark, OH 43055.

B. Metropolitan Educational Council

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 135 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The School District does not participate in the insurance pool. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The School District's membership payment to MEC for fiscal year 2001 was \$1,170. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, OH 43232.

C. Central Ohio Special Education Regional Resource Center

The Central Ohio Educational Resource Center (COSERRC) provides special education services at a regional level and assists school districts in complying with the mandates of P.L. 101-476 and P.L. 99-457 for educating children with disabilities. There is no financial commitment by the School District for its participation in the projects. The School District has one representative on the governing board. Further information may be obtained by contacting the Central Ohio Special Education Regional Resource Center at 470 Glenmont Avenue, Columbus, Ohio 43214.

Southwest Licking Local School District, Ohio

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2001

NOTE 21 - RELATED ORGANIZATION

Pataskala Public Library

The Pataskala Public Library is statutorily created as a separate and distinct political subdivision. Seven trustees of the District Library are appointed by the School District. The board of trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Due process is required to remove board members. No subsidies are provided by the School District.

NOTE 22 - INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 23 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the General fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization. Effective April 10, 2001, Amended Senate Bill 345, the requirement for a school district to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may at the discretion of the board be returned to the district's general fund or may be left in the account and used by the board to off-set any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve set-aside.

Southwest Licking Local School District, Ohio

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2001

NOTE 23 - SET-ASIDE CALCULATIONS AND FUND RESERVES (continued)

The following cash basis information describes the change in the year end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>BWC Refunds</u>
Set-aside Cash Balance as of June 30, 2000	(\$34,991)	(\$9,420,731)	\$257,003	\$0
Current Year Set-aside Requirement	422,495	422,495	0	0
Current Year Offsets	0	(618,065)	0	0
Reduction in Budget Stabilization based on Statutory Revision	0	0	(164,980)	0
Reclassification of Budget Stabilization	0	0	(92,023)	92,023
Qualifying Disbursements	<u>(535,341)</u>	<u>(9,173,068)</u>	<u>0</u>	<u>0</u>
Totals	<u>(\$147,837)</u>	<u>(\$18,789,369)</u>	<u>\$0</u>	<u>\$92,023</u>
Balance Carried Forward to FY 2002	<u>(\$147,837)</u>	<u>(\$18,789,369)</u>	<u>\$0</u>	<u>\$92,023</u>
Cash balances to carry forward to FY2002	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$92,023</u>

The School District has qualifying disbursements during the fiscal year that reduced the textbook and capital maintenance set-aside amounts below zero. The extra amounts in the textbooks and capital acquisition set asides may be used to reduce the set-aside requirement of future years. The total reserve balance for the set-asides at the end of the fiscal year was \$92,023 for BWC refunds yet to be determined by the Board as to its purpose.

A summary of restricted assets is as follows:

Restricted for bus purchases	\$ 923
Restricted for BWC refunds	<u>92,023</u>
Total Restricted Assets	<u>\$92,946</u>

NOTE 24 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

B. Litigation

As of June 30, 2001, the School District had one lawsuit pending. The School District is of the opinion that ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

NOTE 25 - STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 12, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine the effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

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SUPPLEMENTAL DATA

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U. S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Cluster:						
(A) (B) Food Distribution	10.550	N/A		\$44,381		\$44,036
(A) (C) National School Lunch Program	10.555	N/A	\$99,425		\$99,425	
Total U. S. Department of Agriculture and Nutrition Cluster			<u>99,425</u>	<u>44,381</u>	<u>99,425</u>	<u>44,036</u>
U. S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I - Grants to Local Educational Agencies	84.010	048041-C1-S1 00	9,053		8,918	
Title I - Grants to Local Educational Agencies	84.010	048041-C1-S1 01	183,968		156,875	
Total Title I			<u>193,021</u>		<u>165,793</u>	
Title VI-B - Education of the Handicapped Act	84.027	048041-6B-SF 99P	30,475		31,451	
Title VI-B - Education of the Handicapped Act	84.027	048041-6B-SF 01	146,397		109,826	
Total Title VI-B - Education of the Handicapped			<u>176,872</u>		<u>141,277</u>	
Safe and Drug-Free Schools Grants	84.186	048041-DR-S1 00	4,026		502	
Safe and Drug-Free Schools Grants	84.186	048041-DR-S1 01	7,784		6,828	
Safe and Drug-Free Schools Grants	84.186	048041-DR-S1 99	0		1,143	
Total Safe and Drug-Free Schools Grant			<u>11,810</u>		<u>8,473</u>	
Eisenhower Professional Development Grant	84.281	048041-MS-S1 01	10,130		16,546	
(E) Eisenhower Professional Development Grant	84.281	N/A	5,200		0	
Total Eisenhower Professional Development Grant			<u>15,330</u>		<u>16,546</u>	
Title VI - Innovative Educational Program Strategies	84.298	048041-C2-S1 00	2,829		1,077	
Title VI - Innovative Educational Program Strategies	84.298	048041-C2-S1 01	12,132		10,091	
Total Title VI-Innovative Educational Program Strategies			<u>14,961</u>		<u>11,168</u>	
Title VI-R - Classroom Size Reduction Grant	84.340	048041-CR-S1 00	32,985		31,672	
Title VI-R - Classroom Size Reduction Grant	84.340	048041-CR-S1-01	31,539		29,457	
Total Title VI-R			<u>64,524</u>		<u>61,129</u>	
Total U. S. Department of Education			<u>476,518</u>		<u>404,386</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES:						
Community Alternative Funding System Program	93.778	N/A	48,460		43,574	
Total U. S. Department of Health and Human Services			<u>48,460</u>		<u>43,574</u>	
Total Federal Financial Assistance			<u>\$624,403</u>	<u>\$44,381</u>	<u>\$547,385</u>	<u>\$44,036</u>

- (A) Included as part of "Child Nutrition Grant Cluster" in determining major programs.
- (B) The Food Distribution Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
- (C) Comingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) This schedule was prepared on the cash basis of accounting.
- (E) Passed through Licking County ESC

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Education
Southwest Licking Local School District
927 South Street
Etna, Ohio 43018-0180

We have audited the general purpose financial statements of Southwest Licking Local School District as of and for the fiscal year ended June 30, 2001, and have issued our report thereon dated December 12, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Southwest Licking Local School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of Southwest Licking Local School District in a separate letter dated December 12, 2001.

Board of Education
Southwest Licking Local School District

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southwest Licking Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Southwest Licking Local School District in a separate letter dated December 12, 2001.

This report is intended for the information and use of the management and Board of Education of Southwest Licking Local School District, federal awarding agencies and pass through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.
December 12, 2001

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

Report on Compliance With Requirements Applicable to Each Major Federal Program And Internal Control Over Compliance in Accordance With *OMB Circular A-133*

Board of Education
Southwest Licking Local School District
927 South Street
Etna, Ohio 43018-0180

Compliance

We have audited the compliance of Southwest Licking Local School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each major federal program for the fiscal year ended June 30, 2001. Southwest Licking Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each major federal program are the responsibility of Southwest Licking Local School District's management. Our responsibility is to express an opinion on Southwest Licking Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about Southwest Licking Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Southwest Licking Local School District's compliance with those requirements.

Board of Education
Southwest Licking Local School District

In our opinion, Southwest Licking Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2001.

Internal Control Over Compliance

The management of Southwest Licking Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Southwest Licking Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, the Board of Education of Southwest Licking Local School District, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.
December 12, 2001

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
JUNE 30, 2001**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs:</i>	Nutrition Cluster: Food Distribution, CFDA #10.550; National School Lunch Program, CFDA #10.555; Title VI-R Classroom Size Reduction Grant, CFDA #84.340
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
JUNE 30, 2001**

**SCHEDULE OF FINDINGS
*OMB CIRCULAR A-133 § .505***

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

LICKING COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 29, 2002**